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S E C R E T WELLINGTON 000900

SIPDIS

STATE FOR NP, ISN, EUR, EAP/ANP
TREASURY FOR OFAC
NSC FOR STEPHENS

E.O. 12958: DECL: UPON KOREAN REUNIFICATION
TAGS: [KNNP](#) [MNUC](#) [PARM](#) [PREL](#) [EWWT](#) [PHSA](#) [KN](#) [NZ](#)
SUBJECT: NEW ZEALAND RESPONSE ON DPRK FLAG OF CONVENIENCE
ISSUE

REF: STATE 204250

(U) Classified by Political-Economic Counselor Katherine B. Hadda. Reasons: 1.4 (b) and (d).

1. (S/REL NZ) Summary: The New Zealand government does not consider Maritime Mutual Insurance Association NZ (MMIA) to be an insurance company. Although MMIA is incorporated in New Zealand, the government says that it has advised the Japanese government that the company does not meet New Zealand's legal requirements for issuing insurance. The New Zealand government recognizes that it needs to change its law, which as now written does not allow it to halt MMIA's activities or withdraw its incorporation. The government says it will be unable to do so until 2007. End summary.

2. (U) Econoff delivered reftel points November 10 to Gavin Quigan of the Ministry of Economic Development's Insurance and Superannuation Unit and Bruce McCallum of the Ministry of Foreign Affairs and Trade's North America Division.

3. (S/REL NZ) Quigan stated that MMIA is not a bona fide insurance company under New Zealand law. The Insurance Companies (Deposit) Act 1953 requires insurers to post a deposit with the Public Trustee before they can undertake insurance business in New Zealand. The amount of the deposit depends on the type of insurance being offered, but generally is NZ \$500,000. MMIA has made no such deposit.

4. (S/REL NZ) Quigan said that the Japanese government, through its embassy in Wellington, has been advised that the New Zealand government does not recognize MMIA as a legitimate insurance provider. Quigan suggested that information might be sufficient for the Japanese to deny entry to North Korean-flagged ships relying on insurance provided by MMIA. He compared MMIA to three New Zealand-incorporated companies that are being prosecuted in the United States for selling insurance fraudulently. The New Zealand government has provided prosecutors with documents showing that the companies had not fulfilled New Zealand's legal requirements for transacting insurance.

5. (S/REL NZ) Quigan said the New Zealand government had virtually no ability to prevent MMIA from selling insurance overseas, even if fraudulently. It also could not shut down the company. Under the Companies Act 1993, companies face almost no restrictions to incorporate in New Zealand, beyond the payment of a NZ \$100 fee. The registrar of companies can remove a company from the registry only if it fails to file an annual return. That return is easy to fill out, requiring a listing of the company's addresses and directors, and can be submitted via e-mail. MMIA filed its last annual return on August 2, 2005. (The return can be accessed via the New Zealand Companies Office website, www.companies.govt.nz/pls/web/dbssiten.main; search the register for company number 1521418.)

6. (S/REL NZ) Quigan said the government does not want the name of New Zealand misused in this way and will have MMIA in mind when drafting revisions to the Insurance Companies Act 1953. However, with consultations on the revision not expected to begin until 2006, it is unlikely that an amendment would be enacted before 2007, Quigan said.

7. (S) Quigan said he had no information on the Korean Foreign Insurance Company. Meanwhile, the New Zealand Security Intelligence Service (NZSIS) has investigated MMIA. Post will report septel if NZSIS uncovered additional information about the company. MMIA's website is at www.maritime-mutual.com.
McCormick